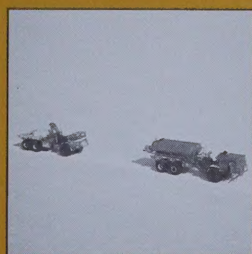
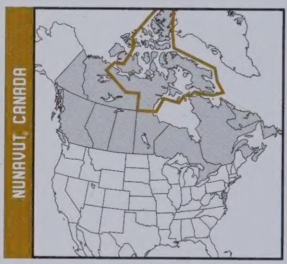
2003 Annual Report

CUMBERLAND RESOURCES LTD.



Cumberland Resources Ltd. is a mineral exploration and development company with interests in two advanced stage gold projects located in Nunavut, Canada. Cumberland is positioning itself to become a mid-tier North American gold producer by advancing development of the Meadowbank gold project towards production. The shares of Cumberland are traded on the Toronto Stock Exchange and the American Stock Exchange under the symbol CLG.



2003 Highlights

Meadowbank Gold Project Achievements

- Accelerated all efforts to advance feasibility study
- Completed an $11.2 million work program
- Drilled 21,000 metres in an additional 230 holes
- Increased Canada's third largest undeveloped gold resource
- Improved the definition and quality of the closely-spaced, near surface gold deposits
- Identified new exploration targets
- Advanced mine development permitting
- Completed multi-disciplinary engineering studies for mine designs
- Extended feasibility study in order to optimize preliminary capital cost estimates, mine configuration and throughput rate
- Initiated a $4.7 million exploration program in early 2004

Corporate Activities

- Raised $34 million through equity financings
- Ended 2003 with $45.8 million in working capital and no debt
- Commenced trading shares on the American Stock Exchange
- Opened Baker Lake community office
- Appointed Kerry Curtis as President and CEO; Michael Carroll as CFO

2004 Goals

- Complete the Meadowbank feasibility study
- Expand gold resources at Meadowbank
- Complete environmental impact study and development permitting process at Meadowbank
- Advancement, by the Operator, of the Meliadine West gold project

Message to Shareholders

In 2003, the Company accelerated all efforts at our 100% owned Meadowbank gold project located in Nunavut, Canada, with the goal of becoming a new mid-tier gold producer. We focused on **improving the fundamentals** of the project and positioning ourselves to complete feasibility and develop the project.

Resources continued to grow with substantial improvements in definition achieved in 2003. As a result of over 230 new drill holes, we have now outlined the third largest, best defined undeveloped gold project in Canada and have prepared the resource for development. The growth of Meadowbank from the initial 200,000 ounces gold outlined in 1995 to the present estimates of 3.8 million ounces gold is a solid success story for our exploration group. Today, the same team is out to find more gold with a $4.7 million program designed to expand known deposits, explore new prospects and continue generative exploration across the large untested reaches of the project.

The environment surrounding the project received extensive study in 2003 as we completed the comprehensive environmental studies required for feasibility level designs and development permitting. As a result, we have the basis to design a modern mining facility while minimizing the potential impacts from development and operations. In January 2004, we successfully completed environmental screening and entered the full review process with the Nunavut Impact Review Board. The next stage of permitting requires us to submit an Environmental Impact Statement (EIS), which is now being prepared.

Community support from the Hamlet of Baker Lake will continue to play an integral role in the success of Meadowbank. In 2003, we established a community office in Baker Lake to provide a mining resource centre for the community and continue to learn about issues of concern to Baker Lake residents. Back in 1995, we committed to maximize the benefits of our activities to the local community through employment opportunities, training, business development and support for a wide variety of local enterprises. Today, we are fortunate to have a locally based, skilled exploration workforce and a community that is informed and supportive of development.

Engineering studies were accelerated throughout 2003. We achieved improved forecasted gold recoveries and simplified our planned ore processing techniques. Larger preliminary open pit designs also introduced the potential for extended mine life and higher rates of production. In late 2003 and into early 2004 the engineering team assembled over 50 different studies, ranging from geotechnical and environmental analysis to archeology and traditional knowledge, to commence the mine design process.

Our financial strength also improved in 2003. We welcomed Michael L. Carroll, C.P.A., as Chief Financial Officer of Cumberland in mid 2003. Mike has quickly established himself as a key member of our executive team, bringing more than 20 years of financial management experience in the mining sector, most recently as Vice President and Treasurer of Homestake Mining Company. With the successes achieved at Meadowbank in 2003, coupled with a strong gold market and a $34 million equity placement, Cumberland ended the year in a solid financial position with $45.8 million in working capital and no debt.

After several years of inactivity, we were pleased to see drilling efforts re-commenced at the Meliadine West gold project in Nunavut. Plans for 2004 programs, including additional drilling, are currently being finalized by the Operator.

In March 2004, the Company announced that the Meadowbank feasibility study would not be completed by the end of the first quarter of 2004 as originally planned and that due to seasonal constraints in shipping such delay would result in a one year setback to the planned development of the project. In addition, the Company announced an increase in its preliminary capital cost estimates for the Meadowbank project due to higher than anticipated costs for almost all items required for construction.

A management committee, chaired by Co-Chairman Walter Segsworth, has commenced a thorough review of all aspects of the preliminary estimate of capital costs and work is progressing on a wide range of mine configurations and alternative throughput variations with a view to finding the most economically attractive parameters for developing a mine at Meadowbank. The large open pit resources at Meadowbank provide us with additional flexibility and a wide range of production alternatives.

Our experience tells us that Meadowbank, like most mining projects, requires continued hard work to realize the best alternatives for making it a successful mining operation. Across 2003, we assembled a team of geologists, engineers and financial specialists with the goal of realizing gold production for our Company. While the delay is disappointing, the fundamentals haven't changed. A combination of a solid financial position, one of Canada's largest and best defined gold resources and a skilled team of professionals will guide us through the challenges ahead to production.

I would like to thank the Board, management and staff for their extraordinary efforts and determination through 2003 and into 2004.

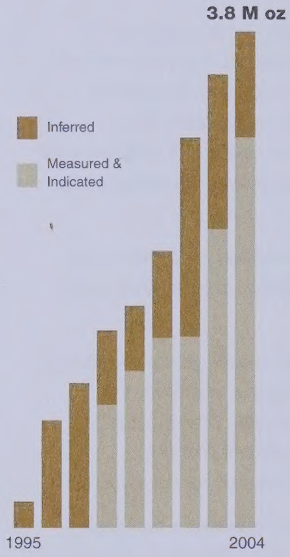
Kerry M. Curtis

President and Chief Executive Officer

Meadowbank Gold Project

Cumberland's most significant asset is the 100% owned Meadowbank gold project located 70 kilometres north of the Hamlet of Baker Lake, in the Kivalliq region of Nunavut.

In 2003, Cumberland continued to evaluate the feasibility of developing an open pit gold mine with a forecast production rate of approximately 250,000 ounces per year for more than eight years. The Company completed an $11.2 million work program focused on improving annual gold production and extending the mine life. Throughout the year significant advancements were made in resource definition, discovery of new exploration targets and in multi-disciplinary studies required for feasibility designs and development permitting. Completion of the feasibility study was delayed in early 2004 due to higher than expected preliminary construction cost estimates. Initiatives to optimize capital costs and gold production in order to complete the feasibility study at Meadowbank are underway.



Growing Gold Resources (ounces of gold)

Resources – Increased Size and Improved Quality

Meadowbank is host to the third largest undeveloped gold resource in Canada. Cumberland has discovered six closely-spaced, near surface gold deposits and continues to explore along a 25 kilometre long gold trend.

Gold resources increased 20% from first quarter 2003
Current gold resources (first quarter 2004) are estimated at 3.0 million ounces of measured and indicated resources and 0.8 million ounces of inferred resources.

Diamond drilling improved deposit definition

- 230 diamond drill holes in 21,000 metres
- Measured and indicated resources increased 50% from first quarter 2003
- Improved resource definition at Portage area deposits and Vault deposit

Overburden drilling outlined additional exploration targets

- 381 short holes in 1,500 metres
- Numerous exploration targets detected north of Vault deposit

Engineering

Advancements were made in all multi-disciplinary studies required for feasibility level designs and mine development permitting at Meadowbank.

Improved open pit mine plans

- Preliminary open pit designs expanded
- Underground mining plans potentially deferred or eliminated

Simplified mill processing designs

- Mill processing plant simplified to conventional ore processing designs
- Projected mill throughput increased to 5,500 tonnes per day
- Improved recoveries indicated by metallurgical testing

Proven water containment technique

- Dyke placement in shallow lakes
- Utilization of waste rock

Geotechnical and geochemical studies

- Competent, low-permeable rock
- Shallow overburden
- Subaerial waste storage

Studies undertaken to optimize preliminary capital cost estimates, mine configuration and throughput rate

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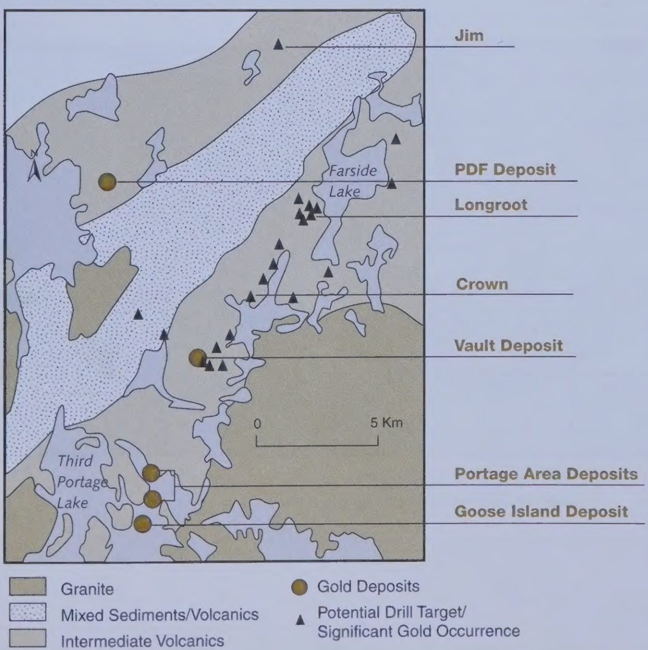
A management committee, chaired by Co-Chairman Walter Segsworth, has commenced a thorough review of all aspects of the preliminary estimate of capital costs and work is progressing on a wide range of mine configurations and alternative throughput variations with a view to finding the most economically attractive parameters for developing a mine at Meadowbank. The large open pit resources at Meadowbank provide us with additional flexibility and a wide range of production alternatives.

Meadowbank Preliminary Mine Designs

Environment and Development Permitting

Cumberland submitted a Project Description Report, summarizing the potential impacts of development at Meadowbank, to the Nunavut Impact Review Board (NIRB) in April 2003. In early 2004, the Department of Indian Affairs and Northern Development (DIAND) approved a recommendation made by NIRB for the Meadowbank project to enter the formal project review process for mine development. The permitting process will now advance from the project screening process to a "Part 5" NIRB review within the context of the Nunavut Land Claims Agreement. The next stage of the permitting process requires Cumberland to submit an Environmental Impact Statement (EIS) to NIRB.

A Prolific Greenstone Belt
Geology Plan with Deposits and Targets



Exploration

2004 exploration focuses on continued resource growth

A $4.7 million exploration program is underway, which includes two phases of diamond drilling totaling approximately 12,000 metres. The program focuses on the expansion of existing gold deposits, new exploration targets and continued grassroots exploration within the 25 kilometre long gold trend at Meadowbank.

2004 Exploration Targets

Goose Island Deposit Expansion

A series of drill holes will test the extension of the Goose Island deposit at depth. In 1997 and 1998, high grade intersections were yielded well below the current preliminary open pit designs.

Vault Deposit – Northeast Expansion

The shallow northeast margin of the Vault deposit will be drilled for expansion potential. This area of the deposit returned near surface, high grade intersections in wide-spaced 2002 drilling, including:

Hole 02-52: 8.23 g/t over 2.45 m at 100 m below surface
Hole 02-56: 12.74 g/t over 3.65 m at 60 m below surface

Vault Deposit – Expansion to the South

Overburden drill programs in 2002 detected anomalous gold in rock and soils located 400 metres south of the known margin of the Vault deposit. Subsequent drilling in 2003 yielded shallow intersections and similar geology to that seen at Vault. Drill hole VLT03-135 intersected 2.84 g/t over 3.10 m at 13 metres below surface.

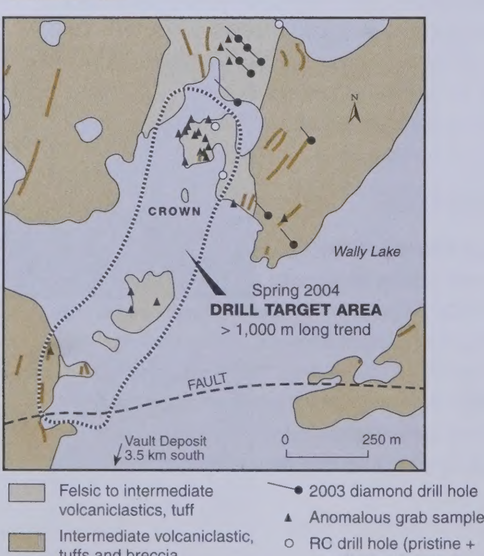
Crown Area

The Crown area, identified in 2003, is a prospective target located 3.5 kilometres north of the Vault deposit. Mineralization occurs in both outcrop and float, and is similar to that seen at the Vault deposit. Eleven grab samples taken from two islands in Wally Lake assayed between 1.33 g/t and 13.45 g/t.

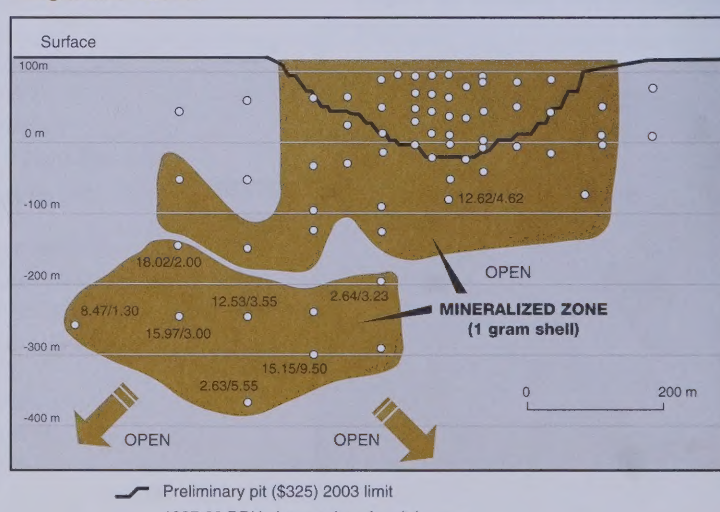
Other Targets along Regional Gold Trend

The Phase II drill program will focus on additional targets along the regional gold trend including the potential expansion of the PDF deposit and exploration of the Jim zone and Longroot area.

Crown – New Surface Exploration Target
Surface Plan



Goose Island Deposit – Potential Underground Expansion
Longitudinal Section



Community

Community commitment began in 1995

Cumberland started extensive consultation with the local community when the Company began exploration at Meadowbank in 1995. Since then, Cumberland has spent approximately $7 million (over 20% of total Meadowbank expenditures) supporting local employment and services in Baker Lake and the Kivalliq region, including about $2 million expended in 2003. During the 2003 field season, Cumberland was one of the largest private employers in Baker Lake, employing 36 individuals from the local and surrounding communities.

Sensitive to the needs of the local community

In January 2004, Cumberland opened a Baker Lake community office, with local resident Michael Haqpi appointed as the Community Liaison Officer. Through the development of this office, the Company will provide a mining resource centre for the community and continue to learn about issues of concern to the local community.

Nunavut is supportive of responsible development

Nunavut Territory is the first province or territory in Canada to fully settle First Nations land claims and the Government of Nunavut fully supports the responsible development of its mineral resources.

Meliadine Projects

The Meliadine projects cover more than 70 kilometres of the highly prospective Meliadine gold trend located 20 kiilometres north of Rankin Inlet, Nunavut. The Meliadine project is divided into two projects – Meliadine West and Meliadine East.

Meliadine West Project

Cumberland holds a 22% (carried to production) interest in the Meliadine West project. In October 2003, Comaplex Minerals Corp. announced it had closed a transaction whereby it had acquired WMC Resources Ltd.'s wholly-owned Canadian subsidiary, WMC International Ltd. (WMCIL). Comaplex, directly and indirectly through WMCIL, now holds, subject to its obligations to Cumberland, the right to perfect a 78% interest in Meliadine West by financing 100% of the property to commercial production.

A $2.1 million 2003 work program, including 5,400 metres in 19 drill holes, was completed and fully funded by WMCIL on the Meliadine West property. In the first quarter of 2004, Comaplex announced details of the 2004 exploration plans are being finalized.

Meliadine East Project

A $625,000 2003 work program, shared on a 50/50 joint venture basis with partner Comaplex Minerals Corp., was completed at the Meliadine East project. The 2003 drilling intersected numerous kimberlite bodies, however, analysis of drill core returned insignificant diamond contents. No work is planned in 2004.

Gold Resources

Meadowbank Gold Project [100% interest]*

Deposit	Resource Category	Tonnes	Grade (g/t)	100% Contained Ounces	Cumberland Contained Ounces
Portage Area	Measured & Indicated	11,818,000	4.6	1,742,000	
(1.5 g/t cutoff)	Inferred	774,000	4.3	107,000	
Vault	Measured & Indicated	7,944,000	3.6	919,000	
(2.0 g/t cutoff)	Inferred	2,513,000	3.8	307,000	
Goose Island	Measured & Indicated	1,924,000	4.8	297,000	
(1.5 g/t cutoff)	Inferred	2,069,000	4.8	319,000	
PDF **	Inferred	344,000	5.2	58,000	
(2.0 g/t cutof)					
Total	Measured & Indicated	21,685,000	4.3	2,998,000	2,998,000
	Inferred	5,700,000	4.3	788,000	788,000

Meliadine West Gold Project [22% carried to production interest]***

Resources were estimated by WMC International Ltd. in October 2000.

Tiriganiaq	Indicated	5,212,000	7.7	1,290,000	
	Inferred	7,136,000	6.1	1,400,000	
Tiriganiaq West	Inferred	700,000	6.7	151,000	
F-Zone	Inferred	4,100,000	5.0	659,000	
Pump Zone	Inferred	1,400,000	6.9	311,000	
Wolf Main	Inferred	2,500,000	6.0	482,000	
Wolf North	Inferred	1,100,000	5.7	202,000	
Total	Indicated	5,212,000	7.7	1,290,000	284,000
	Inferred	16,936,000	6.1	3,204,000	705,000

Meliadine East Gold Project [50% operating interest]****

Discovery	Indicated	1,841,000	6.7	397,000	
Total	Indicated	1,841,000	6.7	397,000	198,000

Cautionary Note: Mineral resources that are not mineral reserves do not have demonstrated economic viability. Mineral resource estimates do not account for mineability, selectivity, mining loss and dilution. These mineral resource estimates include inferred mineral resources that are normally considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is also no certainty that these inferred resources will be converted to measured and indicated categories through further drilling, or into mineral reserves once economic considerations are applied. The standards employed in estimating the mineral resources differ significantly from the requirements of the United States Securities and Exchange Commission and the resource information reported by United States companies. The term "resources" does not equate to "reserve" and normally may not be included in documents filed with the Securities and Exchange Commission. "Resources" are sometimes referred to as "mineralization" or "mineral deposits".

* Resource estimates (Q1/2004) were prepared in conformance with the requirements set out in National Instrument 43-101 by AMEC independent qualified persons as defined by NI 43-101. All resource estimates (except for the PDF deposit which is not included in the current feasibility study) have been prepared by AMEC independent qualified persons as defined by NI 43-101 under the direction of Steve Blower, P.Geo.

** PDF resource parameters: Resource estimates are based on 24 NQ diamond drill holes and a total of 1024 samples. Samples were assayed at IPL labs in Vancouver, British Columbia utilizing fire assay with AA finish and fire assay with gravimetric finish on all assays yielding greater than 1 gram per tonne. QA/QC programs employ random insertion of four internal standards, field duplicates and blank samples. Acme Labs of Vancouver provides external reference assaying. Resource analysis is based on 3 dimensional solid models generated from geological and assay data. Interpolation is based on compositing at 0.75 meter down-hole lengths. Inverse distance to the 2nd power with a minimum of 2 and a maximum of 12 composites to is required to interpolate grade into a block. Composites were capped at 20g/t. A 2.0 g/t cut-off grade is applied. James McCrea, P.Geo., Manager, Mineral Resources, is the Qualified Person under National Instrument 43-101. Resource classification conforms to CIM Standards on Mineral Resources and Reserves (August 2000).

*** Resources were estimated by WMC International Ltd. in October 2000. Resource classification conforms to CIM Standards on Mineral Resources and Reserves (August 2000).

**** Resources were estimated by MRDI Canada, a division of AMEC, in 1997. Resource classification conforms to CIM Standards on Mineral Resources and Reserves (August 2000).

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the year ended December 31, 2003

Introduction

This Management Discussion and Analysis ("MD&A") provides a detailed analysis of the business of Cumberland Resources Ltd. ("Cumberland" or the "Company") and compares its 2003 financial results to the previous two years. This MD&A should be read in conjunction with the Company's audited financial statements for the year-ended December 31, 2003 (the "Financial Statements"). The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars. The Company reports its financial position, results of operations and cash-flows in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Differences between Canadian and United States generally accepted accounting principles ("U.S. GAAP") that would affect the Company's reported financial results are disclosed in Note 14 of the Financial Statements. This MD&A is made as of March 31, 2004.

This MD&A includes disclosures that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 or are future oriented financial information and as such are based on an assumed set of economic conditions and courses of action. These include expectations regarding completion of mine feasibility studies, mine development programs and capital costs, estimates of future production and statements that describe Cumberland's future plans, objectives or goals. There is significant risk that actual results will vary, perhaps materially, from results projected depending on risk factors described in section 8 of this MD&A.

Additional information relating to Cumberland, including the Company's Annual Information Form, is on SEDAR at www.sedar.com.

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1. Highlights

a) 2003

During 2003, the Company completed an $11.2 million work program at its 100% owned Meadowbank Gold Project, located in Nunavut, Canada. The program included a large diamond drilling program for resource definition, overburden drilling to detect additional exploration targets and multi-disciplinary studies related to engineering and environmental components required for feasibility studies and mine development permitting.

Diamond drilling at Meadowbank focused on delineation of the Portage area deposits and the Vault deposit. The program included 230 holes in 21,000 metres of drilling and was designed to improve deposit definition in preparation for feasibility level open pit mine designs. Overburden drilling, which included 381 drill holes in 1,500 metres, was completed to the north of the Vault deposit and delineated additional exploration targets within the 25 kilometre gold trend at Meadowbank.

Across 2003, advancements were made in all multi-disciplinary studies at Meadowbank, including geotechnical studies, metallurgical studies and environmental components required for feasibility level designs and mine development permitting. Initial results from metallurgical studies indicated the gold deposits at

Meadowbank are amenable to a conventional whole ore leach process, compared to the more complex bulk sulphide flotation process indicated earlier. As a result of improvement of resource definition and expansion of preliminary open pit designs, base case studies for projected mill throughput were increased to 5,500 tonnes per day.

A $2.1 million 2003 work program was completed and fully funded by the operator of the Meliadine West joint venture. Cumberland holds a 22% carried to production interest in the Meliadine West joint venture.

A $625,000 2003 work program, shared on a 50/50 joint venture basis, was completed at the Meliadine East property with Cumberland as the operator. The 2003 drilling intersected numerous kimberlite bodies, however, analysis of drill core returned insignificant diamond contents.

b) Events Subsequent to 2003

On March 17, 2004, Cumberland reported that the feasibility study at the Meadowbank project would not be completed by the end of the first quarter 2004 as originally planned. Due to seasonal constraints in shipping, the delay in the feasibility study results in a one-year setback to the planned development of the project. On March 22, 2004, the Company reported that the preliminary pre-production capital cost estimate for the Meadowbank project (including 12% contingency and 15% engineering, procurement and construction management on direct costs) currently exceeds $350 million for a 5,500 tonne per day production model, due to higher than anticipated costs for almost all items required for construction. The Company has formed a committee, chaired by Co-Chairman Walter Segsworth, to thoroughly review all aspects of the preliminary estimate of capital costs and assess the potential for capital cost reductions for the project. The Company will also undertake a full examination of a wide range of mine configurations and alternative production throughput variations with a view to finding the most economically attractive parameters for a mine at Meadowbank. Upon completion of this examination and the feasibility study, the Company will be in a position to assess the overall economics of Meadowbank, including its future capital requirements and the various alternatives available to finance such capital requirements.

Cumberland will commence its 2004 exploration program at Meadowbank within the next several weeks. This $4.7 million program, which will include two phases of diamond drilling totaling approximately 12,000 metres, will commence early in the second quarter of 2004. The $4.7 million exploration program will focus on expansion of existing gold deposits, numerous recently-defined prospects, and grassroots exploration within the 25 kilometre gold trend.

During the first quarter of 2004, Cumberland reported revisions to resource estimates at the Meadowbank gold project, incorporating results from the 2003 drill program. Measured and indicated resources increased by 30% from second quarter 2003 estimates.

Meadowbank Project Resources – Q1/2004*

Resource Category	Tonnes	Grade (g/t)	Ounces Gold
Measured and Indicated	21,685,100	4.30	2,998,000
Inferred	5,699,700	4.30	788,000

* Resource estimates were prepared in conformance with the requirements set out in National Instrument 43-101 by AMEC independent qualified persons as defined by NI 43-101. All resource estimates (except for the PDF deposit which is not included in the current feasibility study) have been prepared by AMEC independent qualified persons as defined by NI 43-101 under the direction of Steve Blower, P.Geo.

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Mineral resource estimates do not account for mineability, selectivity, mining loss and dilution. These mineral resource estimates include inferred mineral resources that are normally considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is also no certainty that these inferred resources will be converted to measured and indicated categories through further drilling, or into mineral reserves once economic considerations are applied. The standards employed by AMEC in estimating the mineral resources differ significantly from the requirements of the United States Securities and Exchange Commission and the resource information reported by United States companies. The term "resources" does not equate to "reserve" and normally may not be included in documents filed with the Securities and Exchange Commission. "Resources" are sometimes referred to as "mineralization" or "mineral deposits".

The Company also reported that the Department of Indian Affairs and Northern Development (DIAND) has approved a recommendation made by the Nunavut Impact Review Board (NIRB) for the Meadowbank project to enter the formal project review process for mine development. The permitting process at Meadowbank will now advance from the project screening process to a "Part 5" NIRB review within the context of the Nunavut Land Claims Agreement. The next stage of the permitting process requires Cumberland to submit an Environmental Impact Statement (EIS) to NIRB. The Company anticipates that the Meadowbank EIS study will be filed with NIRB in conjunction with the completion of the feasibility study.

Cumberland's shares commenced trading on the American Stock Exchange on February 3, 2004 under the symbol CLG. Cumberland's shares will continue to trade on the Toronto Stock Exchange under the new stock symbol CLG instead of its previous stock symbol CBD.

2. Business Overview

The Company is in the business of developing, exploring and acquiring mineral properties, with an emphasis on gold, and is in the process of exploring and developing properties located in the Nunavut Territory in Northern Canada.

The Company is focused on the development of its 100% owned Meadowbank property, and is currently completing a feasibility study on such property. The Company's development plans at Meadowbank will depend on the results of this study and, if commercial production is deemed to be feasible, on the Company's ability to secure all requisite financing and mine permitting on a timely basis.

During 2003, the Company completed an $11.2 million work program at its 100% owned Meadowbank Gold Project, located in Nunavut, Canada. The program included a large diamond drilling program for resource definition, overburden drilling to detect additional exploration targets and multi-disciplinary studies related to engineering and environmental components required for feasibility studies and mine development permitting.

The Company is the operator for its 50% joint venture interest in the Meliadine East exploration property, which is also located in Nunavut Territory in Northern Canada. The Company's share of exploration costs incurred in 2003 was $0.3 million.

The Company also has a 22% carried to production interest in the Meliadine West joint venture, and is receiving option payments from the joint venture partner of $500,000 per year, in accordance with an option agreement signed in 1995. The Company's share of exploration costs is being funded through a contingent non-recourse loan and is only repayable by the Company if commercial production is achieved and will be repaid only out of production cash flow.

Other than the $500,000 annual option receipts from the operator of the Meliadine West joint venture, the Company currently has no other sources of operating revenue. The Company has working capital of $45.8 million at December 31, 2003 and will require substantial additional financing if it determines that it is feasible to complete development of Meadowbank.

3. Review of Financial Results

a) Selected Annual Information

The Company's results of operations for the years ended December 31 are summarized below:

	2003 $	2002 $	2001 $
Option receipts	**500,000**	500,000	500,000
Interest and other income	**1,056,077**	138,254	157,588
Exploration and development costs	**(11,518,663)**	(7,993,736)	(1,620,046)
General and administrative expenses	**(1,990,241)**	(1,341,615)	(984,940)
Stock based compensation expense	**(1,481,612)**	–	–
Loss for the period	**(13,434,439)**	(8,697,097)	(1,947,398)
Net loss per share, basic and fully diluted	**(0.30)**	(0.26)	(0.07)
Total assets	**59,302,768**	28,252,472	15,180,719
Total long-term liabilities	**889,696**	270,275	85,616
Shareholders' equity	**57,082,453**	27,249,652	14,879,536
Dividends	**n/a**	n/a	n/a

This financial information has been reported in accordance with Canadian GAAP, and is denominated in Canadian Dollars, the Company's reporting currency. A reconciliation of the Company's results of operations and financial position to U.S. GAAP is provided in Note 14 of the Financial Statements.

Certain prior year amounts have been reclassified to confirm with the current year's presentation.

b) Critical Accounting Policies and Estimates

The Company's significant accounting policies are disclosed in Note 2 of the Financial Statements. The following is a discussion of the critical accounting policies and estimates which management believes are important for an understanding of the Company's financial results:

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Actual results will likely differ from those estimates.

Exploration and development costs

The Company expenses all exploration and development costs until it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit). The costs subsequently incurred to develop the mine on the property are capitalized until mining operations commence.

As at December 31, 2003 the Company has not yet completed a positive economic analysis on any of its mineral properties and therefore all exploration and development costs were expensed in 2003.

Carrying value of mineral property interest acquisition costs

The Company capitalizes the cost of acquiring mineral property interests, including undeveloped mineral property interests, until the viability of the mineral interest is determined. Capitalized acquisition costs are expensed in the period in which it is determined that the mineral property has no future economic value.

Exploration stage mineral interests represent interests in properties that are believed to potentially contain (i) other mineralized material such as measured, indicated or inferred resources with insufficient drill hole spacing to qualify as proven and probable mineral reserves and (ii) other mine-related or greenfield exploration potential that are not an immediate part of measured or indicated resources. The Company's mineral rights are generally enforceable regardless of whether proven and probably reserves have been established. The Corporation has the ability and intent to renew mineral rights where the existing term is not sufficient to recover undeveloped mineral interests.

Capitalized amounts may be written down if future cash flows, including potential sales proceeds, related to the property are estimated to be less than the carrying value of the property. Management of the Company reviews the carrying value of each mineral property interest periodically, and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Reductions in the carrying value of each property would be recorded to the extent the carrying value of the investment exceeds the estimated future net cash flows.

Site closure costs

In 2003, the Company has chosen to early adopt the provisions of CICA 3110 *Asset Retirement Obligations* on a retroactive basis. CICA 3110 requires the fair value of the site closure costs to be accrued at the time that the liability is incurred.

Accounting for stock-based compensation

Effective January 1, 2003 the Company adopted, on a prospective basis, the fair value based method of accounting for stock option awards granted to employees and directors, as prescribed by CICA 3870 *Stock-based Compensation and Other Stock-based payments.* Under this method, the fair value of the stock options at the date of grant is amortized over the vesting period, with the offsetting credit to contributed surplus. If the stock options are exercised, the proceeds are credited to share capital. Prior to January 1, 2003 the Company had elected to recognize no stock compensation expense for grants to employees and directors where the stock option awards had no cash settlement features and the exercise price was equal to the stock price on the date of grant.

c) Results of Operations

2003 compared to 2002

The Company incurred a net loss of $13.4 million for the year-ended December 31, 2003, compared to a net loss of $8.7 million for the year-ended December 31, 2002.

The Company had no operating revenues in either 2003 or 2002, as it had not commenced mining operations. In both 2003 and 2002, the Company received an annual $500,000 option payment from the operator of the Meliadine West joint venture in accordance with the option agreement signed in 1995.

The most significant component of the Company's net loss for both 2003 and 2002 was exploration and development costs. During the years ending December 31, 2003 and December 31, 2002, the Company incurred exploration and development costs of $11.5 million and $8.0 million respectively, $11.2 million and $7.9 million respectively of which was incurred on Meadowbank. The $3.3 million increase in exploration and development costs at Meadowbank during 2003 primarily relates to increased costs for project level feasibility studies and mine development permitting requirements.

The $11.2 million of costs incurred at Meadowbank during 2003, included (i) a $7.5 million field program, comprising two phases of infill drilling totaling approximately 21,000 meters designed to complete feasibility requirements as well as substantial environmental and field exploration programs, (ii) $1.9 million of costs related to the feasibility studies which commenced in early 2003 and (iii) $1.8 million in environmental permitting related costs.

The Company's 22% carried interest in Meliadine West is financed by way of a contingent non-recourse loan from the property operator which will only be repayable by the Company if commercial production is achieved and will be repaid only out of production cash flow. In 2003, the property operator completed a $2.1 million exploration program on this property.

The substantial increase in general and administrative expenses for 2003 reflects the increased level of activity and required management staff in 2003 and the greater emphasis placed on public relations, including investor relations activities and financing activities.

The stock-based compensation expense of $1,481,612 is a non-cash item based on the estimated fair value of stock options granted and vested in 2003. The fair value of stock options granted is calculated based on a Black-Scholes Option Pricing Model. The Company adopted the fair value based method of accounting for stock options on a prospective basis from January 1, 2003 (see 3(b) above, Critical Accounting Policies and Estimates). However, had compensation cost for stock-based compensation been recorded under the fair value based method in 2002, the Company's net loss would have increased by $983,400 for the year-ended December 31, 2002.

Interest and other income increased substantially in 2003 primarily due to the significantly higher balances of cash and short-term investments resulting from approximately $43.7 million of additional funds that were raised during 2003 through a private placement and exercises of warrants and stock options. In addition, interest and other income in 2002 also included a one-time charge of $0.3 million for the write-down of the Company's investment in Eurozinc Mining.

2002 compared to 2001

The Company incurred a net loss of $8.7 million for the year-ended December 31, 2002 compared to $1.9 million for the year-ended December 31, 2001.

The Company had no operating revenues in either 2002 or 2001, as it had not commenced mining operations. In both 2002 and 2001, the Company received an annual $500,000 option payment from the operator of the Meliadine West joint venture, in accordance with the option agreement signed in 1995.

The major reason for the increased net loss in 2002 relates to an increase of $6.5 million in exploration and development costs at Meadowbank. The significant increase in these costs over 2001 resulted from the rapid acceleration of the Company's exploration program at Meadowbank.

General and administrative expenses also increased in 2002 over 2001 due to the increased level of activity and required management staff in 2002 and the greater emphasis placed on public relations, including investor relations activities and financing activities. Employee compensation also increased in 2002 as a result of one-time severance payment of $0.2 million to the Company's former president.

Interest and other income decreased in 2002, as compared to 2001, as a result a one-time charge of $0.3 million for the write-down of the Company's investment in Eurozinc Mining. Such decrease was partially offset by an increase in interest income, resulting from higher cash and short-term investment balances.

d) Summary of Quarterly Results

The table below sets out the quarterly results, expressed in thousands of Canadian dollars, for the past eight quarters:

	2003				2002			
	First (as restated)	Second (as restated)	Third (as restated)	Fourth	First (as restated)	Second (as restated)	Third (as restated)	Fourth (as restated)
Option receipts	500,000	–	–	–	500,000	–	–	–
Other income	162,169	151,357	402,024	340,527	50,434	(201,061)	150,828	138,053
Exploration and development costs	(1,887,320)	(4,833,912)	(3,265,246)	(1,532,185)	(820,439)	(2,610,895)	(3,345,401)	(1,217,001)
Stock-based compensation	(333,600)	(211,850)	(125,600)	(810,562)	–	–	–	–
General and administrative expenses	(271,161)	(498,116)	(706,396)	(514,568)	(213,505)	(329,806)	(303,809)	(494,495)
Net loss	(1,829,912)	(5,392,521)	(3,695,218)	(2,516,788)	(483,510)	(3,141,762)	(3,498,382)	(1,573,443)
Net loss per share	(0.05)	(0.13)	(0.07)	(0.05)	(0.02)	(0.10)	(0.10)	(0.04)

These quarterly financial results have been restated from the previously reported financial results to reflect the retroactive adoption of CICA 3110 *Asset Retirement Obligations* and the adoption of CICA 3870 CICA 3870 *Stock-Based Compensation and Other Stock-Based payments* which was adopted in the fourth quarter of 2003 but on a prospective basis from January 1, 2003. The impact of the adoption of these new accounting policies on previously reported financial results is also disclosed in Note 3 of the Financial Statements.

Option receipts are received in the first quarter of the fiscal year. The majority of exploration and development costs are incurred in the second and third quarters due to the seasonal weather conditions in Nunavut Territory.

4. Liquidity and Capital Resources

The Company's principal source of liquidity at December 31, 2003 is cash and cash equivalents and short-term investments of $46.4 million (2002 – $18.3 million). The majority of this amount is invested in highly liquid Canadian dollar denominated investments in investment grade debt and banker's acceptances, with maturities through September 30, 2004. The counter-parties include corporations and the Canadian government.

The Company's principal source of cash during 2003 was from the issuance of common shares. The Company raised net proceeds of $41.8 million in 2003, of which $32.4 million was from a private equity placement, $6.7 million was from the exercise of warrants and $2.7 million was from the exercise of options.

The Company used $11.5 million in operating activities, primarily for exploration and development costs on the Company's mineral property interests. The Company also spent $2.1 million on acquisition of capital assets in 2003.

At December 31, 2003 the Company had working capital of $45.8 million as compared to $18.2 million at December 31, 2002. The following is a summary of the Company's outstanding contractual obligations and commitments as at December 31, 2002:

	Payments due by period				
	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Capital lease obligations	1,014,941	404,973	609,968	–	–
Operating lease obligations	754,765	215,765	380,000	159,000	–
Contingent payments (1)	800,000	–	800,000	–	–
Purchase commitments (2)	2,368,522	2,368,522	–	–	–
Site closure costs (3)	1,066,362	–	–	–	1,066,362
Total contractual obligations	6,004,590	2,989,260	1,789,968	159,000	1,066,362

(1) The Company has two employment contracts in place that provide for the payment of specific bonus amounts should certain financial and operating milestones with respect to Meadowbank be attained in the future.

(2) The Company is required to spend $2,368,522 on Canadian Exploration Expenditures in order to avoid interest and penalty charges imposed by Canada Revenue Agency.

(3) The Company has estimated future costs of $1,066,362 to be incurred in 2017 related to the Company's legal obligation to remove exploration equipment and other assets from its mineral property sites in Nunavut and to perform other site reclamation work.

The Company also has a contingent loan balance which totals $13,726,265 as December 31, 2003 [2002 – $12,353,359]. This loan will be repaid only if commercial production at Meliadine West is achieved and will be paid only out of production cash flow (as defined in the joint venture agreement).

5. Outlook

Meadowbank Feasibility Study

Work has progressed on the feasibility study for the Meadowbank project, which is being prepared by AMEC E&C Services Ltd. (AMEC), an international engineering firm that has designed and constructed several world-class mining operations in northern Canada. Independent resource estimations have been completed by AMEC as part of the ongoing Meadowbank feasibility study. In addition, multidisciplinary engineering and environmental programs are well underway as part of the feasibility and mine development permitting process.

On January 29, 2004, the Company announced improvements to the size and quality of Meadowbank's estimated mineral resources. Such improvements incorporate the results of 21,000 meters of diamond drilling completed at Meadowbank in 2003. The details of this updated mineral resource estimate, including a specific breakdown of measured, indicated and inferred resources, are set forth in the NI 43-101 report compiled and issued by AMEC on March 1, 2004 (available on www.sedar.com).

On March 17, 2004, the Company announced that the Meadowbank feasibility study would not be completed by the end of the first quarter of 2004 as originally planned. Due to seasonal constraints in shipping, the delay in the completion of the study would result in a one-year setback to the planned development of the project.

On March 22, 2004, the Company also announced that the preliminary pre-production capital cost estimate for the Meadowbank project (including 12% contingency and 15% engineering, procurement and construction management on direct costs) currently exceeds $350 million for a 5,500 tonne per day production model, due to higher than anticipated costs for almost all items required for construction. The Company has formed a committee, chaired by Co-Chairman Walter Segsworth, to thoroughly review all aspects of the preliminary estimate of capital costs and assess the potential for capital cost reductions for the project. The Company will also undertake a full examination of a wide range of mine configurations and alternative production throughput variations with a view to finding the most economically attractive parameters for a mine at Meadowbank. Upon completion of this examination and the feasibility study, the Company will be in a position to assess the overall economics of Meadowbank, including its future capital requirements and the various alternatives available to finance such capital requirements.

Financial Outlook

The Company's 2004 budget for Meadowbank exploration is currently $4.7 million. During 2004, the Company is expected to incur approximately $1.8 million in general and administrative costs. In addition, during 2004, the Company is expected to incur approximately $1.2 million in other corporate expenses, consisting of insurance, public relations, investor relations and stock exchange listing costs. The Company estimates that it will incur an additional $0.5 million during 2004 to complete the feasibility study.

Assuming the results of the feasibility study confirm that Meadowbank is both economically viable and financeable, substantial long-term financing would be required to develop and construct the property. Currently, the Company anticipates that such financing would be derived from a combination of debt and equity financing.

The Company has outstanding warrants with exercise prices of $3.35 and $3.75 per share that expire on or before July 29, 2004. If all of these warrants are exercised by the holders, the Company will realize an additional $20 million cash proceeds which it could use to fund future cash expenditure requirements.

The Company does not have operating revenues, however, the ultimate success of Meadowbank will also be dependent on, among other factors, the U.S. dollar price of gold as well as the U.S. dollar currency exchange rate relative to the Canadian dollar. In addition, if the Company were able to partially finance the development of Meadowbank with long-term debt financing, the Company's future profitability would likely be sensitive to market interest rates.

Upon completion of the final feasibility study, and if it is determined that Meadowbank is both economically viable and financeable, the Company would commence capitalizing development costs.

The Company's share of exploration costs on its mineral property interest in Meliadine East is expected to be nominal in 2004. Furthermore, during 2004, the Company's share of exploration costs on its joint venture interest in Meliadine West will once again be fully financed via the Company's contingent non-recourse loan arrangement with the operator of the Meliadine West joint venture.

As of December 31, 2003, the Company held approximately 4.4 million shares of Eurozinc Mining Corporation (Eurozinc). Since December 31, 2003, the share price of Eurozinc has more than doubled and as a result, the Company has proceeded to dispose of approximately 1.6 million shares. Total proceeds realized from such sale amounted to approximately $0.9 million, resulting in a gain on sale of investments of approximately $0.8 million.

Although the Company has no immediate plans to dispose of its remaining 2.8 million of Eurozinc shares, it will consider additional sales of Eurozinc shares in the future should favorable opportunities arise.

Permitting

On January 7, 2004, the Company announced that the Department of Indian Affairs and Northern Development (DIAND) had approved a recommendation made by the Nunavut Impact Review Board (NIRB) for the Meadowbank to enter the formal project review process for mine development. Both DIAND and NIRB agree that the permitting process at Meadowbank will advance from the project screening process to a "Part 5" NIRB review within the context of the Nunavut Land Claims Agreement and existing federal legislation. The next stage of the Meadowbank permitting process, following receipt of the final environmental terms of reference, requires the Company to submit an Environmental Impact Statement (EIS) to NIRB. The Company anticipates that the Meadowbank EIS study will be filed with NIRB in conjunction with the completion of the feasibility study.

6. Foreign Currency, Interest Rate and Commodity Price Risk

The Company has not commenced mining operations and accordingly, has no gold operating revenues. However, future fluctuations in the price of gold could impact the Company's ability to secure future financing on the Company's existing mineral property interests.

At December 31, 2003 the Company does not have significant foreign currency assets or liabilities and does not incur significant expenses in foreign currencies. Consequently the Company is not currently subject to significant foreign exchange risk.

Other than the capital lease obligations, the Company has no interest bearing long-term liabilities. However, the rate of return on the Company's portfolio of short-term investments and cash equivalents is subject to change based on movements in market interest rates.

The Company does not currently engage in any hedging or derivative transactions to manage these risks.

7. Disclosure of Outstanding Share Data

Common shares outstanding:	# of common shares	$
Balance, December 31, 2003	54,222,744	110,806,463
Shares issued on exercise of warrants	152,825	519,964
Shares issued on exercise of options	38,372	63,094
Balance, March 31, 2004	54,413,941	111,389,521

At March 31, 2004 there are 4,949,175 warrants outstanding to purchase 4,949,175 common shares of the Company at an exercise price of $3.75 per share until July 29, 2004. There are also 417,175 broker warrants outstanding to purchase 417,175 common shares at an exercise price of $3.35 per share until July 29, 2004.

8. Risks and Uncertainties

In conducting its business, the Company faces a number of risks. These risks are summarized below and have been separated into two groups:

- risks related to the mining industry in general; and
- risks related specifically to the Company.

In addition to the risks and uncertainties identified below, please also refer to the risk factors identified in the Company's most recent Annual Information Form and Form 20-F.

Risks related to the mining industry generally

Gold price volatility

The Company's ability to raise financing in the future is extremely dependent on the price of gold, which fluctuates widely and is affected by numerous factors beyond the Company's control. Factors tending to affect the price of gold include:

- the relative strength of the U.S. dollar against other currencies;
- government sale or lending of gold bullion, and perceptions of their future intentions;
- government monetary and fiscal policies:
- expectations of the future rate of global monetary inflation and interest rates;
- general economic conditions and the perception of risk in capital markets;
- political conditions including the threat of terrorism or war, and restrictions on the acquisition and holding of gold;
- speculative trading;
- investment demand for gold;
- supply of gold from production, disinvestments and scrap recycling.

Uncertainty of mineral resource estimates

Mineral reserve and mineral resource estimates are imprecise and depend partly on statistical inferences drawn from drilling and other data, which may prove to be unreliable. While the Company's resources are estimated by independent and experienced third parties, future production could differ significantly from mineral resource estimates for the following reasons:

- mineralization or formation could be different from those predicted by drilling, sampling and similar examinations;
- declines in the market price of gold may render the mining of some or all of the Company's mineral resources uneconomic;
- increases in operating mining, processing and capital costs could adversely affect mineral resources;
- the grade of mineral resources may vary significantly from time to time and there can be no assurance that any particular level of gold may be recovered from the mineral resource.

Any of the above factors may require the Company to reduce its mineral resource estimates or increase its costs.

Currency fluctuations

Currency fluctuations may affect the operating revenue that the Company realizes in the future. Gold is sold throughout the world based principally on the U.S. dollar price, but most of the Company's capital costs and expenses are expected to be incurred in Canadian dollars. The appreciation of the Canadian dollar against the U.S. dollar could result in a decrease in the Company's future operating revenue in Canadian dollar terms. Conversely, a depreciation of the Canadian dollar against the U.S. dollar could result in an increase in the Company's future operating revenue in Canadian dollar terms.

Mining risks

The business of gold mining involves many risks and hazards, including environmental hazards, industrial accidents, labour force disruption, the unavailability of material and equipment, unusual or unexpected rock formations, pit slope failures, changes in the regulatory environment, weather conditions, seismic activity, flooding and water conditions. Such occurrences could result in damage to, or destruction of, mineral properties, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. As a result, the Company may incur significant costs that could have a material adverse effect upon its financial performance, liquidity and operating results.

Environmental and health and safety risks

The Company's activities are subject to extensive federal, territorial and regional laws and regulations governing environmental protection and employee health and safety. The Company is required to obtain governmental permits and provide other bonding requirements under federal, territorial air, water quality and mine reclamation rules and permits. A delay or failure to obtain such permits could have a material adverse effect upon the Company's financial performance, liquidity and operating results.

As the Company continues to update and clarify its closure plans for its mineral property interests and as environmental protection laws and administrative policies are changed, the Company will revise the estimate of its total obligations and may be obliged to provide further security for mine reclamation and closure costs. Although the ultimate amount of mine reclamation and closure costs to be incurred is uncertain, for existing disturbances as of December 31, 2003, the Company has estimated the undiscounted future value of its share of such costs to be $1.1 million and has accrued the fair value of this amount ($0.3 million) on its balance sheet. For further information concerning the above amounts, see notes 2(j), 3(a) and 8 of the Company's Consolidated Financial Statements.

Risks related specifically to the Company

Limited operating history

The Company has limited experience in the development of mines and in the construction of facilities required to bring mines into production. The Company has relied and may continue to rely upon external consultants and others for expertise in these areas.

Impact of price increases on items related to construction

The amount of capital costs associated with the development of the Meadowbank property would be adversely impacted by escalations in the price of items related to construction, including steel, fuel, concrete and other construction consumables. Such price escalations are affected by numerous factors beyond the Company's control. The economic viability of the Meadowbank property and the Company's ability to raise financing in the future could be adversely impacted by significant price escalations in such products.

Occurrence of events for which the Company is not insured

The Company maintains the following insurance to protect itself against certain insurable risks:

- property insurance
- directors and officers liability insurance, and;
- comprehensive general liability insurance.

Although these coverages are maintained in amounts that are believed to be reasonable depending upon the circumstances surrounding each identified risk there is no assurance that the coverage will be sufficient to indemnify the Company in the event of a claim or loss. Also, the Company may have insurance for certain risks such as environmental pollution or other hazards against which mining companies cannot insure or against which the Company may elect not to insure because of high premium costs or various other reasons.

Occurrences of events for which the Company is not insured may adversely affect its cash flows and overall financial performance.

Competition for mineral land

There is a limited supply of desirable mineral lands available for acquisition, claim staking or leasing in the areas where the Company contemplates expanding its mineral property interests and conducting exploration activities. Many participants are engaged in the mining business, including large, established mining companies. Accordingly, there can be no assurance that the Company will be able to compete successfully for new mining properties.

Uncertainty of exploration and development programs

The Company's overall financial performance is significantly affected by the costs and results of its exploration and development programs. Exploration for minerals is highly speculative in nature, involves many risks and is frequently unsuccessful. Among the many uncertainties inherent in any gold exploration and development program are the location of economic ore bodies, the development of appropriate metallurgical processes, the receipt of necessary governmental permits and the construction of mining and processing facilities. Assuming the discovery of an economic deposit, depending on the type of mining operation involved, several years may elapse from the initial phases of drilling until commercial operations are commenced and, during such time, the economic feasibility of production may change. Accordingly, the Company's exploration and development programs may not result in any new economically viable mining operations.

Title matters

Some of the mining claims in which the Company has an interest have not been surveyed and, accordingly, the precise location of the boundaries of the claims and ownership of mineral rights on specific tracts of land comprising the claims may be in doubt. Such claims have not been converted to lease and tenure, and are, accordingly, subject to annual compliance with assessment work requirements. Other Company's may dispute title to its mining properties. All of the claims on the Meadowbank property have been surveyed and converted to leases. While the Company has diligently investigated title to all mineral claims and, to the best of its knowledge, title to all mineral interests is in good standing, this should not be construed as a guarantee of title.

Management's Responsibility for Financial Reporting

The financial statements and the information contained in the annual report are the responsibility of the Board of Directors and management. The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and reconciled to accounting principles generally accepted in the United States as set out in note 14.

The Audit Committee of the Board of Directors is composed of four Directors and meets periodically with management and the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company has developed and maintains a system of control to provide reasonable assurance that financial information is accurate and reliable.

The financial statements have been audited by Ernst & Young LLP, Chartered Accountants, who were appointed by the shareholders. The auditors' report outlines the scope of their examination and their opinion on the financial statements.

Michael L. Carroll
Michael L. Carroll
Chief Financial Officer

Kerry M. Curtis
Kerry M. Curtis
President and Chief Executive Officer

March 4, 2004
Vancouver, Canada

Auditors' Report

To the Shareholders of Cumberland Resources Ltd.

We have audited the balance sheets of Cumberland Resources Ltd. as at December 31, 2003 and 2002 and the statements of loss and deficit and cash flows for each of the years in the three year period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian and United States generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2003 in accordance with Canadian generally accepted accounting principles. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied, except for the change in the method of accounting for site closure costs as explained in note 3[a] and the method of accounting for stock based compensation as explained in note 3[b], on a consistent basis.

Ernst & Young LLP
Chartered Accountants

Vancouver, Canada
March 4, 2004

Balance Sheets

(Canadian dollars)
As at December 31

	2003 $	2002 $ [as restated - see note 3[a]]
ASSETS		
Current		
Cash and cash equivalents	**24,270,017**	1,146,644
Short term investments	**22,142,993**	17,187,692
Accrued interest receivable	**433,086**	231,812
Accounts receivable	**188,702**	151,781
Due from joint venturer	**9,906**	122,011
Prepaid expenses	**67,873**	66,650
Total current assets	**47,112,577**	18,906,590
Mineral property interests *[note 4]*	**8,246,083**	8,246,083
Capital assets, net *[note 6]*	**3,679,703**	819,799
Investments in public companies *[note 13]*	**264,405**	280,000
	59,302,768	28,252,472
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**1,001,510**	669,549
Current portion of capital leases *[note 7]*	**329,109**	62,996
Total current liabilities	**1,330,619**	732,545
Accrued site closure costs *[note 8]*	**340,000**	119,052
Capital leases *[note 7]*	**549,696**	151,223
Commitments and contingencies *[note 11]*		
Shareholders' equity		
Share capital *[note 9]*	**110,806,463**	67,085,948
Contributed surplus *[note 9[d]]*	**1,481,612**	–
Deficit	**(55,205,622)**	(39,836,296)
Total shareholders' equity	**57,082,453**	27,249,652
	59,302,768	28,252,472

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

Statements of Loss and Deficit

(Canadian dollars)
Year ended December 31

	2003 $	2002 $ [as restated - see note 3[a]]	2001 $ [as restated - see note 3[a]]
REVENUE			
Option receipts *[note 4[b]]*	**500,000**	500,000	500,000
Interest and other revenue	**1,014,964**	409,305	239,381
Gain (loss) on investments in public companies *[note 13]*	**41,113**	(261,434)	16,668
Share of loss of equity accounted investee *[note 13[b]]*	**–**	(9,617)	(98,461)
	1,556,077	638,254	657,588
EXPENSES			
Exploration and development costs *[note 5]*	**11,518,663**	7,993,736	1,620,046
Employee compensation	**473,704**	413,930	287,059
Stock-based compensation *[note 9[d]]*	**1,481,612**	–	–
Public and investor relations	**447,003**	294,706	132,851
Office and miscellaneous	**449,454**	302,591	130,933
Legal, audit and accounting	**257,766**	170,761	120,003
Other fees and taxes	**211,013**	48,807	55,370
Insurance	**66,100**	53,867	38,259
Depreciation and amortization	**25,762**	38,104	21,749
Accrued site closure costs – accretion expense *[note 8]*	**10,119**	7,277	5,511
Interest expense on capital leases	**49,320**	11,572	–
Write-down of mineral property interests *[note 4[c]]*	**–**	–	193,205
	14,990,516	9,335,351	2,604,986
Net loss for the year	**13,434,439**	8,697,097	1,947,398
Deficit, beginning of year *[as restated – note 3[a]]*	**39,836,296**	29,606,129	11,107,783
Cumulative effect of change in accounting policy *[note 3[c]]*	**–**	–	16,280,053
Share issue costs	**1,934,887**	1,533,070	270,895
Deficit, end of year *[as restated – note 3[a]]*	**55,205,622**	39,836,296	29,606,129
Loss per share	**$0.30**	$0.26	$0.07
Weighted average number of shares outstanding	**45,497,756**	33,753,026	27,705,580

See accompanying notes to financial statements.

Statements of Cash Flows

(Canadian dollars)
Year ended December 31

	2003 $	2002 $ [as restated - see note 3[a]]	2001 $ [as restated - see note 3[a]]
OPERATING ACTIVITIES			
Net loss for the year	**(13,434,439)**	(8,697,097)	(1,947,398)
Add (deduct) items not affecting cash:			
Depreciation and amortization	**25,762**	38,104	21,749
Exploration related amortization	**293,878**	189,081	17,516
Write-down of mineral property interests	**–**	–	193,205
Accrued site closure costs - accretion expense	**10,119**	7,277	5,511
Gain (loss) on investments in public companies	**(41,113)**	261,434	(16,668)
Share of loss of equity accounted investees	**–**	9,617	98,461
Stock-based compensation	**1,481,612**	–	–
Net changes in non-cash working capital items:			
Accrued interest receivable	**(201,274)**	(180,015)	(25,950)
Accounts receivable	**(36,921)**	(123,642)	(9,129)
Due from joint venturer	**112,105**	(116,928)	7,373
Prepaids	**(1,223)**	(13,932)	(41,688)
Accounts payable and accrued liabilities	**331,961**	453,982	120,439
Cash used in operating activities	**(11,459,533)**	(8,172,119)	(1,576,579)
FINANCING ACTIVITIES			
Issuance of common shares	**43,720,516**	22,600,283	2,503,711
Share issue costs	**(1,934,887)**	(1,533,070)	(270,895)
Repayment of capital lease obligation	**(315,415)**	(50,905)	–
Cash provided by financing activities	**41,470,214**	21,016,308	2,232,816
INVESTING ACTIVITIES			
Purchase of capital assets	**(1,988,715)**	(417,776)	(38,689)
Short term investments, net	**(4,955,301)**	(12,323,726)	(969,005)
Proceeds on sale of investments in public companies, net	**56,708**	–	–
Cash used in investing activities	**(6,887,308)**	(12,741,502)	(1,007,694)
Increase (decrease) in cash and cash equivalents during year	**23,123,373**	102,687	(351,457)
Cash and cash equivalents, beginning of year	**1,146,644**	1,043,957	1,395,414
Cash and cash equivalents, end of year	**24,270,017**	1,146,644	1,043,957
Supplemental information:			
Interest paid	**49,320**	11,572	–

See accompanying notes to financial statements.

Notes to Financial Statements

(Canadian dollars)
December 31, 2003

1. Nature of Business

Cumberland Resources Ltd. (the "Company") is engaged in the business of developing, exploring and acquiring mineral properties in Canada, with an emphasis on gold, and is in the process of exploring properties located in the Nunavut Territory in Northern Canada. The recoverability of amounts shown for mineral property interests in the Company's balance sheet are dependent upon the existence of economically recoverable reserves, the ability of the Company to arrange appropriate financing to complete the development of its properties, the receipt of necessary permitting and upon achieving future profitable production or receiving proceeds from the disposition of the properties. The timing of such events occurring, if at all, is not yet determinable. The Company is considered to be a development stage enterprise as it has yet to generate significant revenue from operations.

2. Significant Accounting Policies

a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. As described in note 14, these principles differ in certain material respects from those that the Company would have followed had the financial statements been prepared in accordance with United States generally accepted accounting principles.

Certain prior year amounts have been reclassified to conform with the current year's presentation.

b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Actual results will likely differ from those estimates.

c) Exploration and development costs

Exploration and development costs are expensed as incurred. When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop the mine on the property prior to the start of mining operations are capitalized. Capitalized amounts may be written down if future undiscounted cash flows, including potential sales proceeds, related to a mineral property are estimated to be less than the carrying value of the property.

d) Mineral property acquisition costs

Mineral property acquisition costs are capitalized until the viability of the mineral interest is determined. Capitalized acquisition costs are expensed in the period in which it is determined that the mineral property has no future economic value.

Capitalized amounts may be written down if future cash flows, including potential sales proceeds, related to the property are estimated to be less than the carrying value of the property. Management of the Company reviews the carrying value of each mineral property interest periodically, and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Reductions in the carrying value of each property would be recorded to the extent the carrying value of the investment exceeds the estimated future net cash flows.

e) Stock-based compensation plan

The Company has a stock-based compensation plan which is described in note 9(d). Effective January 1, 2003 the Company adopted, on a prospective basis, the fair value based method of accounting for stock option awards granted to employees and directors, as prescribed by CICA 3870 *Stock-based Compensation and Other Stock-based payments.* Under this method, the fair value of the stock options at the date of grant is amortized over the vesting period, with the offsetting credit to contributed surplus. If the stock options are exercised, the proceeds are credited to share capital. Prior to January 1, 2003 the Company had

elected to recognize no stock compensation expense for grants to employees and directors where the stock option awards had no cash settlement features and the exercise price was equal to the stock price on the date of grant.

Effective January 1, 2002 the Company adopted, on a prospective basis, the fair value based method of accounting for direct awards of stock and for stock option awards granted to non-employees.

f) Capital assets

Capital assets are carried at cost, less depreciation and amortization. Depreciation and amortization of capital assets, that have been placed in service, is calculated on a straight line basis over the following terms:

Exploration equipment	3 to 10 years
Computer equipment	3 years
Office equipment	3 years

g) Cash and cash equivalents

Cash equivalents includes those short term money market instruments which have an original term to maturity of 3 months or less when acquired.

h) Short-term investments

Short-term investments comprise highly liquid Canadian dollar denominated investments in investment grade debt and banker's acceptances with terms to maturity of greater than 90 days but not more than one year. Short-term investments are carried at the lower of cost or recoverable amount.

i) Investments in public companies

Investments in shares of companies in which the Company has a significant influence are accounted for by the equity method. Other investments in public companies are carried at cost, less provisions for other than temporary declines in value.

j) Accrued site closure costs

In 2003 the Company retroactively adopted CICA 3110 *Asset Retirement Obligations,* which applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development or normal operation of a long lived-asset. Under CICA 3110 the Company records the fair value of a liability for an asset retirement obligation in the period in which it is incurred. A corresponding increase in the carrying amount of the related asset is generally recorded and depreciated over the life of the asset. Over time, the liability is increased to reflect an interest element (accretion expense) considered in its initial measurement at fair value. The amount of the liability will be subject to re-measurement at each reporting period. It is possible that the Company's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

k) Income taxes

Income taxes are provided for in accordance with the liability method. Under the liability method of accounting for income taxes, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

l) Flow-through shares

The Company has issued flow-through shares to finance some of its exploration activities. Such shares were issued for cash in exchange for the Company giving up the tax benefits arising from the exploration expenditures. The amount of these tax benefits are renounced to investors in accordance with Canadian tax egislation. The Company records such share issuances by crediting share capital for the full value of cash consideration received.

m) Loss per common share

The number of common shares outstanding during each year for purposes of the loss per share calculation is calculated on the weighted monthly average of outstanding common shares.

n) Other recent accounting pronouncements

In 2003, the CICA issued Accounting Guideline AcG-15, *Consolidation of Variable Interest Entities,* to provide guidance for applying the principles in Handbook section 1590, Subsidiaries, to certain entities. Although the CICA is contemplating amendments to the Guideline, it is expected to be effective for the Company's 2005 fiscal year. The Company is currently reviewing AcG-15 and the impact, if any, on the Company's financial statements has not been determined.

3. Changes in Accounting Policies

[a] As described in note 2[j], the Company has adopted CICA 3110 and changed its accounting policy for recording obligations related to site closure costs, including the retirement of long-lived assets. In accordance with CICA 3110, this change in accounting policy has been applied retroactively, with restatement of prior year financial statements. Prior to the adoption of CICA 3110, the Company accrued for estimated future site restoration costs through direct charges to earnings as the liabilities were incurred. The retroactive adoption of this new accounting policy had the effect of increasing (decreasing) the following:

	For the year ended December 31			
	2002		2001	
	As previously reported	As restated	As previously reported	As restated
Capital assets	800,663	819,799	331,718	337,925
Accrued site closure costs	340,000	119,052	100,000	85,616
Accrued site closure costs expense, including accretion	240,000	20,507	–	14,580
Deficit, end of year	(40,076,380)	(39,836,296)	(29,626,720)	(29,606,129)
Net loss for the year	8,916,590	8,697,097	1,932,818	1,947,398
Net loss per share	0.26	0.26	0.07	0.07

[b] As described in note 2[e], the Company has adopted the fair value based method of accounting for stock-based compensation to employees and directors in accordance with CICA 3870 *Stock-based Compensation and Other Stock-based payments.* This change was adopted in the fourth quarter of 2003, and was applied on a prospective basis for all stock option awards granted after January 1, 2003 in accordance with CICA 3870. As a result, expenses, net loss and contributed surplus previously reported for the first, second and third quarters of 2003 have increased by $333,600, $211,850 and $125,600, respectively from amounts previously recorded.

[c] Effective January 1, 2001, the Company adopted CICA Accounting Guideline 11, *Enterprises in the Development Stage* ("AcG-11"). Under AcG-11, it must be probable that exploration expenditures will be recovered from future operations in order to be capitalized and acquisition costs of mineral property interests should be written off upon determination that the costs will not be recovered from future operations. Previously, the Company capitalized all exploration costs incurred on its mineral properties if exploration was continuing on the property, until such time that the Company determined that that the deferred costs would not be recovered from a geological resource or reserve or otherwise. The adoption of AcG-11 was done on a retroactive basis without restatement of prior years and resulted in a cumulative increase to opening deficit of $16,280,053 as at January 1, 2001.

Prior to the adoption of AcG-11, the annual option payments received from WMC International Ltd. ("WMCIL") [note 4[b]] were recorded as a reduction of deferred exploration and development costs on the balance sheet. As these costs are now expensed in the period incurred, such annual option payments are recorded as revenue on the statements of loss and deficit.

4. Mineral Property Interests

The Company holds the following mineral property interests:

		Book value	
	Ownership interest	2003 $	2002 $
Meadowbank *[a]*	100%	**8,049,093**	8,049,093
Joint ventures:			
Meliadine West *[b]*	22%	**196,990**	196,990
Meliadine East *[c]*	50%	**–**	–
		8,246,083	8,246,083

[a] Meadowbank

The Company acquired 60% of the mineral rights in Meadowbank, an exploration property in the Nunavut Territory in Northern Canada, during the 1993 acquisition of Asamera Mineral Inc. ("Asamera") for consideration of $187,500. The remaining 40% was acquired from Comaplex Minerals Corporation ("Comaplex") in 1997. In consideration for the remaining interest, the Company paid $3,200,000 in cash and issued 1,500,000 common shares and 1,500,000 warrants to purchase 750,000 additional shares until July 28, 1999 at $4.25 per share. These warrants have since expired.

[b] Meliadine West

In 1995, the Company and Comaplex granted WMCIL an option to earn up to a 56% interest in a portion of the Meliadine West property, an exploration property in the Nunavut Territory in Northern Canada. Details of the agreement are as follows:

[i] WMCIL has earned the right to a 56% interest in the Meliadine West property by funding the first $12.5 million of exploration and development costs. WMCIL has provided a non-recourse contingent loan to each of the Company and Comaplex for their proportionate share of all exploration and development costs in excess of the original $12.5 million. These contingent non-recourse loans will be repaid only if commercial production is achieved and will be repaid only out of production cash flow. The Company and Comaplex retained the balance of the Meliadine Property (Meliadine East) subject to a right of first refusal in favour of WMCIL.

[ii] As at December 31, 2003 the Company's share of the contingent non-recourse loan balance was $13,726,265 [2002 – $12,353,359], including interest which compounds semi-annually at the prime rate and totals $3,328,496 [2002 – $2,729,716]. Cumberland has the option of early repayment of the contingent loan.

[iii] During the payback period the Company will control the net revenue from the proceeds of sale of 6% of minerals produced from the properties and prepared for sale under the agreement. After the non-recourse loans have been paid, revenues will be divided among WMCIL, the Company, and Comaplex on a proportionate interest basis.

[iv] Once commercial production is achieved, WMCIL has the option to purchase an additional 4% interest in the property from the Company and Comaplex (2% each), for a cash payment of between $1 million and $4 million, depending on the date of the start of commercial production, and thereby increase its interest to 60%.

[v] In order to maintain its interest, WMCIL must make annual option payments to both the Company and Comaplex on January 1st of each year prior to commercial production. The payments began in 1995. In 2003, the Company received a payment of $500,000 [2002 – $500,000]. If commercial production is not achieved, the Company will receive $500,000 per year for the next two years and $1,500,000 per year beginning in 2006.

[vi] In the event of termination of the agreement by WMCIL, WMCIL retains no interest in the mineral claims and the claims for the Meliadine West property are to be transferred back to the Company and Comaplex. No further cash payments by WMCIL will be required after termination and the non-recourse loan from WMCIL to the Company will be forgiven.

[vii] On October 8, 2003 Comaplex announced that it had acquired WMCIL (Comaplex and WMCIL hereafter collectively referred to as the "Meliadine West Operator"). The Meliadine West Operator continues to hold, subject to its obligations to the Company, the right to perfect a 78% interest in the Meliadine West project by financing 100% of the project to commercial production.

[viii] On January 1, 2004, the Company received the annual option payment of $500,000 from the Meliadine West Operator [see note 4[b][v]].

[c] Meliadine East

The Company acquired 50% of the mineral rights in Meliadine, an exploration property in the Nunavut Territory in Northern Canada, during the 1993 acquisition of Asamera. Comaplex is the owner of the remaining 50% interest. In 1995, the Company and Comaplex divided the Meliadine mineral rights into East and West in order to option Meliadine West to WMCIL [note 4[b]]. During 2001, the recoverability of the mineral claims relating to Meliadine East of $193,205 were determined to be not recoverable and, as a result, were written off.

5. Exploration and Development Costs

The following is a summary of exploration and development costs incurred by the Company related to its mineral property interests in Meadowbank and Meliadine East.

	2003 $	2002 $	2001 $
Meadowbank (100% interest):			
Drilling	**1,760,802**	1,626,252	305,770
Transportation	**1,489,200**	1,652,304	103,812
Contracts and personnel	**1,921,531**	1,963,107	569,588
Other exploration costs	**2,393,412**	2,175,757	411,236
Environmental and permitting costs	**1,769,786**	470,241	–
Feasibility and engineering	**1,900,258**	–	–
Total	**11,234,989**	7,887,661	1,390,406
Meliadine East (50% interest):			
Drilling	**167,108**	–	–
Transportation	**162,768**	13,670	7,534
Contracts and personnel	**77,389**	119,497	109,044
Other exploration costs	**194,914**	98,728	3,360
Recoveries from joint venture partner	**(318,505)**	(126,472)	(60,653)
Total	**283,674**	105,423	59,285
Other projects	–	652	170,355
Total exploration and development costs	**11,518,663**	7,993,736	1,620,046

Since the inception of the Meadowbank and Meliadine East projects, the Company has incurred $34,227,803 and $4,083,637, respectively, in exploration and development expenditures.

The Company's 22% interest in Meliadine West is carried to production and the Company does not incur exploration expenditures on this property [see note 4[b]].

6. Capital Assets

	Cost $	Accumulated amortization $	Net book value $
2003			
Exploration equipment	**1,232,400**	**502,961**	**729,439**
Computer equipment	**121,604**	**85,280**	**36,324**
Office equipment	**114,692**	**90,914**	**23,778**
Construction in progress	**2,890,162**	–	**2,890,162**
	4,358,858	**679,155**	**3,679,703**
2002			
Exploration equipment	1,020,219	275,303	744,916
Computer equipment	110,623	69,710	40,913
Office equipment	114,692	80,722	33,970
	1,245,534	425,735	819,799

Construction in progress and exploration equipment include assets with a net book value of $980,000 [2002 – $Nil] and $129,912 [2002 – $185,588], respectively that were acquired under capital leases.

7. Capital Leases

The Company has entered into capital lease agreements with a weighted interest rate in 2003 of 8.52% [2002 – 6.45%]. The obligation at December 31 is comprised as follows:

	2003 $	2002 $
Total future lease payments	**1,014,941**	237,413
Less: interest	**136,136**	23,194
	878,805	214,219
Less: current portion	**329,109**	62,996
Long term portion of capital leases	**549,696**	151,223

The following capital lease payments are required over the next three years:

	$
2004	404,973
2005	404,973
2006	204,995
	1,014,941

8. Accrued Site Closure Costs

Accrued site closure costs relate to the Company's legal obligation to remove exploration equipment and other assets from it's mineral property sites in Nunavut and to perform other site reclamation work.

Although the ultimate amount of future site restoration costs to be incurred for existing exploration interests is uncertain, the Company has estimated the fair value of this liability to be $340,000 at December 31, 2003 based on the expected payments of $1,066,362 to be made in 2017, discounted at an interest rate of 8.5% per annum.

The liability for accrued site closure costs is comprised as follows:

	2003 $	2002 $
Accrued site closure costs, beginning of year	**119,052**	$85,616
Additional liabilities incurred during the year	**210,829**	26,159
Accrued site closure costs – accretion expense	**10,119**	7,277
Accrued site closure costs, end of year	**340,000**	119,052

The total impact of the site closure costs on the Company's statements of loss is as follows for the years ended December 31:

	2003 $	2002 $	2001 $
Additional exploration related amortization	**68,991**	13,230	9,069
Accrued site closure costs – accretion expense	**10,119**	7,277	5,511
	79,110	20,507	14,580

9. Share Capital

Authorized

100,000,000 common shares with no par value.

[a] Issued

Common shares have been issued for the following consideration:

	Number of shares #	Value $
Balance, December 31, 2000	27,403,781	41,982,665
Flow through shares issued *(iv)*	2,650,588	2,503,000
Balance, December 31, 2001	30,054,369	44,485,665
Shares issued upon exercise of options	287,500	352,375
Shares issued upon exercise of warrants *(v)* and *(vi)*	776,480	1,072,908
Common shares issued *(ii)*	4,000,000	10,400,000
Flow through shares issued *(ii)* and *(iii)*	4,000,000	10,775,000
Balance, December 31, 2002	39,118,349	67,085,948
Shares issued upon exercise of options	1,487,500	2,754,550
Shares issued upon exercise of warrants *(i), (ii), (iii),(iv)* and *(v)*	2,616,895	6,665,965
Common shares issued *(i)*	10,000,000	31,000,000
Flow through shares issued *(i)*	1,000,000	3,300,000
Balance, December 31, 2003	54,222,744	110,806,463

(i) During the year ended December 31, 2003 the Company completed a bought-deal financing for 10,000,000 units for gross proceeds of $31,000,000 and 1,000,000 flow-through common shares for gross proceeds of $3,300,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each of the 5,000,000 whole warrants entitles the holder to subscribe for one additional common share at a price of $3.75 per share until July 29, 2004. If the Company's shares trade at or above $4.25 per share for any 20 consecutive day period between November 29, 2003 and March 29, 2004 the warrants will expire on the later of April 29, 2004 and the date which is 25 days following the giving of notice by the Company to the warrant holders. The Company's share price has not yet traded above $4.25 for a 20 consecutive day period. 30,825 of these warrants were exercised prior to December 31, 2003. In conjunction with the common share issuance, 550,000 warrants were issued to the broker to purchase 550,000 shares of the Company on or before July 29, 2004 at an exercise price of $3.35 per share.

(ii) During the year ended December 31, 2002 the Company completed a private placement of 4,000,000 units at a price of $2.60 per unit for gross proceeds of $10,400,000. Each unit consists of one common share and one half of a non-transferable share purchase warrant. Each of the 2,000,000 whole warrants is exercisable for the purchase of one common share of the Company at a price of $3.00 per share until June 17, 2003. During 2003, 1,294,750 of these warrants were exercised, the balance expired unexercised. In connection with this private placement, the underwriters exercised their option to purchase an additional 1,500,000 flow-through common shares priced at $2.85 per share for gross proceeds of $4,275,000. The underwriters were also issued 440,000 warrants to purchase 440,000 common shares of the Company until June 17, 2003 at an exercise price of $2.75 per share. During 2003 all of these warrants were exercised.

(iii) During the year ended December 31, 2002 the Company completed a private placement of 2,500,000 flow-through common shares for gross proceeds of $6,500,000. In connection with this private placement, 200,000 warrants were issued to the brokers to purchase 200,000 shares of the Company at an exercise price of $2.60 per share, exercisable until December 22, 2003. All of these warrants were exercised in 2003.

(iv) During the year ended December 31, 2001, the Company issued flow through shares for gross proceeds of $2,503,000. In conjunction with these issuances, 1,000,000 warrants were issued to purchase 500,000 shares of the Company on or before September 15, 2002 at an exercise price of $1.20 per share, and thereafter at a price of $1.50 per share until September 15, 2003. All of these warrants were exercised at $1.50 in 2003. The agent for this flow-through financing also received warrants to

acquire an additional 100,000 shares at an exercise price of $1.10, and 50,000 shares at an exercise price of $1.50 per share, until September 15, 2003. All of these warrants were exercised in 2003.

(v) Also in connection with a 2001 flow through financing, 118,000 warrants were issued to the brokers to purchase 118,000 shares of the Company at an exercise price of $0.85 per share. During 2002, 110,480 of these warrant were exercised. During 2003, 1,320 of these warrants were exercised. The remaining 6,200 warrants expired unexercised.

(vi) During the year ended December 31, 2002, warrants to purchase 666,000 common shares were exercised at exercise prices of $1.10, $1.25 and $1.50 per share. These warrants were issued in connection with flow through share financings completed in 2000.

[b] Flow-through shares

The flow through shares issued effectively pass on tax credits associated with the Canadian Exploration Expenditures (as defined in the Canadian Income Tax Act) funded by the proceeds of the shares. The entire amount of the proceeds were renounced to the subscribers as tax benefits. As at December 31, 2003, the Company has unused proceeds from flow-through share issuances of $2,368,522 [2002 – $6,500,839], and is committed to spend this amount on qualifying Canadian exploration activities. For future income tax purposes, the taxable benefits renounced can only be recognized when the exploration expenditures to which they relate have been incurred.

[c] Warrants

At December 31, 2003 there are 5,519,175 [2002 – 3,797,520] warrants outstanding to purchase 5,519,175 [2001 – 3,297,520] common shares of the Company at a weighted average exercise price of $3.71 per share until July 29, 2004. If the Company's shares trade at or above $4.25 per share for any 20 consecutive day period between November 29, 2003 and March 29, 2004 then 4,969,175 of these warrants will expire on the later of April 29, 2004 and the date which is 25 days following the giving of notice by the Company to the warrant holders. The Company's share price has not yet traded above $4.25 for a 20 consecutive day period.

[d] Stock options

Under the Company's Incentive Share Option Plan of 1995 (as amended), options to purchase common shares of the Company may be granted to employees, non-employees and directors of the Company for terms up to ten years at an exercise price equal to the market price prevailing on the day immediately preceding the date of the grant. Unvested options previously granted will be forfeited upon leaving the employ of the Company

At December 31, 2003 there are options outstanding and exercisable to issue 2,804,500 shares of the Company [December 31, 2002 – 3,050,000]. The price of these options ranges from $0.80 to $4.85 and their expiry dates range from December 17, 2004 to May 13, 2013. At December 31, 2003, 2,917,300 common shares were reserved for issuance pursuant to the employee incentive share option plan.

The following table summarizes information about the share options outstanding and exercisable at December 31, 2003:

	Outstanding			Exercisable	
Range $	Total # of shares	Weighted average exercise price	Weighted average contract life remaining	Total # of shares	Weighted average exercise price
0.80-1.61	692,500	1.43	1.18	692,500	1.43
2.00-3.55	1,510,000	2.28	4.29	1,335,000	2.25
4.85	602,000	4.85	4.91	301,000	4.85
	2,804,500	2.62	3.65	2,328,500	2.34

Option activity for the three preceding years is as follows:

	2003		2002		2001	
	Shares #	Weighted average exercise price $	Shares #	Weighted average exercise price $	Shares #	Weighted average exercise price $
Options outstanding, beginning of year	**3,050,000**	**1.81**	2,313,000	1.63	2,190,500	1.71
Exercised	**(1,487,500)**	**1.85**	(287,500)	1.23	–	–
Granted	**1,242,000**	**3.68**	1,065,000	2.07	192,500	0.80
Expired	**–**	**–**	(40,500)	2.14	(52,500)	2.00
Forfeited	**–**	**–**	–	–	(17,500)	2.00
Options outstanding, end of year	**2,804,500**	**2.62**	3,050,000	1.81	2,313,000	1.63

Stock options having a weighted average fair value of $1.91 were granted during 2003. The total fair value stock compensation is amortized over the vesting period resulting in a stock compensation expense of $1,481,612 for the year ended December 31, 2003. The fair value for the 2003 option grants was estimated at the date of grant using a Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rates of between 3.72% and 4.27%; no dividends; volatility factors of the expected market price of the Company's common shares of between 60% and 70%; and an expected life of the options of between 4.5 years and 7.25 years.

Had compensation cost for stock-based compensation been recorded under the fair value based method in 2002, the Company's net loss would have increased by $983,400 for the year-ended December 31, 2002 and the loss per share would have increased by $0.03 per share. The fair value of stock compensation for 2002 was estimated at the date of grant using a Black-Scholes Option Pricing Model with the following weighted average assumptions: risk-free interest rate of 4.0%; no dividends; volatility factors of the expected market price of the Company's common shares of 54.8%; and an expected life of the options of 3.8 years

10. Income Taxes

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax assets as of December 31 are as follows:

	2003 $	2002 $
Future tax assets:		
Mineral property interests	**7,716,000**	11,054,000
Investments in public companies	**169,000**	204,000
Capital assets, including lease obligations	**40,000**	154,000
Net operating loss carryforwards	**–**	1,514,000
Share issue costs	**801,000**	498,000
Total future tax assets	**8,726,000**	13,424,000
Valuation allowance for future tax assets	**(8,726,000)**	(13,424,000)
Net future tax assets	**–**	–

At December 31, 2003, the Company has an earned depletion base of $128,000 [2002 – $128,000], cumulative Canadian Exploration Expense (CEE) of $32,603,000 [2002 – $22,840,000], cumulative Canadian Development Expense (CDE) of $1,900 [2002 - $3,745,000] and cumulative foreign exploration and development expense of $61,000 [2002 – $156,000]. These amounts have been included in the calculation of the above future income tax assets. However, these future tax assets have been offset by a full valuation allowance and are not recognized in the Company's financial statements as at December 31, 2003 and 2002 due to the uncertainty of realization.

The reconciliation of income tax attributable to operations computed at the statutory tax rates to income tax expense (recovery), using a 32.80% [2002 – 35.62%; 2001 – 37.62%] statutory tax rate, at December 31 is:

	2003 $	2002 $	2001 $
Income taxes at statutory rates	**(4,406,000)**	(3,096,000)	(732,000)
Amortization in excess of capital cost allowance for tax	**105,000**	76,000	8,000
Expenses not deductible for tax purposes	**506,000**	75,000	24,000
Expenses capitalized for tax purposes	**4,040,000**	2,847,000	496,000
Non-capital losses not used	**–**	250,000	252,000
Share issuance costs deductible for tax purposes	**(245,000)**	(152,000)	(48,000)
	–	–	–

11. Commitments and Contingencies

[a] As disclosed in note 4[b], the Company has a contingent loan balance which totals $13,726,265 at December 31, 2003 [2002 – $12,353,359]. This loan will be repaid only if commercial production at Meliadine West is achieved and will be paid only out of production cash flow (as defined in the joint venture agreement).

[b] As disclosed in note 9[b], the Company is required to spend $2,368,522 on Canadian Exploration Expenditures (as defined by the Canadian Income Tax Act) in order to avoid interest and penalty charges imposed by the Canada Revenue Agency.

[c] As disclosed in note 8, the Company is legally obligated to remove exploration equipment and other assets from its mineral property sites in Nunavut and to perform other site reclamation work. Short term investments include an amount of $39,172 in respect of a government bond arising from the land use agreement entered into with Kivalliq Inuit Association for protection against environmental accidents, and an additional $100,838 which is required to be on deposit with a bank under the terms of a security arrangement.

[d] The Company has two employment contracts in place that provide for the payment of specific bonus amounts should certain financial and operating milestones with respect to the Meadowbank Project be attained in the future. The estimated contingent payment with respect to such bonuses is approximately $0.8 million, none of which has been accrued as of December 31, 2003.

[e] The Company is committed to future minimum annual rent payments under operating lease agreements over the next four years as follows:

	$
2004	215,765
2005	190,000
2006	190,000
2007	159,000

12. Financial Instruments

The fair value of the Company's cash and cash equivalents, receivables, accounts payable and accrued liabilities, and capital lease obligations approximates their respective carrying values at December 31, 2003 and 2002. The fair value of the non-recourse loan from joint venturer in the amount of $13,726,265 [2002 – $12,353,359] cannot be reliably determined due to the uncertainty of the timing of the future cash flows [see note 4[b]].

The Company's short-term investments comprise highly liquid Canadian dollar denominated investments in investment grade debt and banker's acceptances, with maturities through September 30, 2004, and were yielding a weighted average interest rate of 2.85% at December 31, 2003. The counter-parties include corporations and the Canadian government. The fair market value of the Company's short-term investments approximates their carrying value at December 31, 2003 and 2002.

13. Investments in Public Companies

Investments in public companies includes the following as at December 31:

	2003 $	2002 $
Lithic Resources Ltd. *[b]*	–	–
Eurozinc Mining Corporation *[a]*	**264,000**	280,000
Other	**405**	–
	264,405	280,000

Gain (loss) on investment in public companies for the years ended December 31 is comprised as follows:

	2003 $	2002 $	2001 $
Gain on sale of investment in Eurozinc *[a]*	**41,113**	–	–
Write down of investment in Eurozinc *[a]*	–	(261,434)	–
Gain on dilution of investment in Lithic *[b]*	–	–	16,668
	41,113	(261,434)	16,668

[a] Eurozinc Mining Corporation

During 2003 the Company sold 266,666 shares of Eurozinc for proceeds of $57,113, resulting in a gain on sale of $41,113. During 2002, the Company recorded a $261,434 write-down in its investment when Eurozinc suffered a decline in market value that the Company determined was other than temporary.

The market value of the Company's Eurozinc shares based on the quoted share trading price at December 31, 2003 is $1,276,000 (4,400,000 shares at $0.29 per share). This amount may not be reflective of what the Company would realize on liquidation of its investment.

[b] Lithic Resources Ltd.

During 2001, the Company had significant influence over Lithic Resources Ltd. ("Lithic") and this investment was accounted for under the equity method, resulting in an equity loss of $98,461 for the year-ended December 31, 2001. On June 7, 2002, Lithic completed a restructuring that involved the issuance and consolidation of common shares, and replacement of its Board of Directors. As a result of this restructuring, the Company's interest in Lithic was reduced from 24.1% to 19.1% during 2002 and the Company no longer maintained representation on Lithic's Board of Directors.

The Company's share of Lithic's loss from January 1, 2002 to June 7, 2002 was in excess of the investments carrying value of $9,617. Accordingly, the investment's carrying value was reduced to $Nil. Since the loss of significant influence on June 7, 2002, the investment has been accounted for on the cost basis.

The Company's investment in Lithic was further diluted in 2003 to an interest of 11.5% as at December 31, 2003. The quoted market value of these shares at December 31, 2003 is $515,315 (1,392,744 shares at $0.37 per share). This amount may not be reflective of what the Company would realize on liquidation of its investment.

14. Reconciliation Between Canadian and United States Generally Accepted Accounting Principles

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which differ in certain material respects from those principles that the Company would have followed had its financial statements been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). Had the Company followed U.S. GAAP, certain items on the statements of loss and deficit, and balance sheets would have been reported as follows:

Statements of loss and deficit	2003 $	2002 $	2001 $
Revenue	**1,970,611**	909,305	739,381
Exploration costs	**(11,518,663)**	(7,992,078)	(1,610,977)
Other expenses	**(3,471,853)**	(1,562,766)	(979,429)
Net loss, before change in accounting policy	**(13,019,905)**	(8,645,539)	(1,851,025)
Cumulative effect of change in accounting policy	**240,084**	–	–
Net loss	**(12,779,821)**	(8,645,539)	(1,851,025)
Reconciliation:			
Net loss, Canadian GAAP	**(13,434,439)**	(8,697,097)	(1,947,398)
Adjustments to:			
Site closure costs *[b]*	**240,084**	(219,493)	14,580
Gain on investment in Eurozinc *[c]*	**14,534**	261,434	–
Share of loss of equity accounted investees *[d]*	**–**	9,617	98,461
Gain on dilution of investment in Lithic *[d]*	**–**	–	(16,668)
Premium received on flow-through shares *[e]*	**400,000**	–	–
Net loss, US GAAP	**(12,779,821)**	(8,645,539)	(1,851,025)
Comprehensive loss *[c], [d]*	**(11,453,706)**	(8,925,539)	(2,691,025)
Net loss per share (U.S. GAAP, basic and diluted)	**$0.28**	$0.26	$0.07

Balance sheets	December 31, 2003		December 31, 2002	
	Canadian basis $	U.S. basis $	Canadian basis $	U.S. basis $
Assets				
Current assets *[e]*	**47,112,577**	47,112,577	18,906,590	18,906,590
Mineral property interests *[a]*	**8,246,083**	8,890,378	8,246,083	8,890,378
Capital assets, net *[b]*	**3,679,703**	3,679,703	819,799	800,663
Investments in public companies *[c]*	**264,405**	1,791,720	280,000	466,666
	59,302,768	61,474,378	28,252,472	29,064,297
Liabilities and shareholders' equity				
Current liabilities	**1,330,619**	1,330,619	732,545	732,545
Accrued site closure costs *[b]*	**340,000**	340,000	119,052	340,000
Capital leases, long term portion	**549,696**	549,696	151,223	151,223
Shareholders' equity				
Share capital *[a], [e], [f]*	**110,806,463**	105,688,663	67,085,948	64,303,035
Contributed surplus *[g]*	**1,481,612**	1,481,612	–	–
Accumulated other comprehensive income *[c]*	**–**	1,767,121	–	441,006
Deficit *[b], [d], [e], [f]*	**(55,205,622)**	(49,683,333)	(39,836,296)	(36,903,512)
Total shareholders' equity	**57,082,453**	59,254,063	27,249,652	27,840,529
	59,302,768	61,474,378	28,252,472	29,064,297

[a] Mineral property interests

Under Canadian GAAP, the warrants attached to the shares issued as consideration for the acquisition of a mineral property interest [see note 4], are not separately valued. Under U.S. GAAP, the fair market value of the warrants must be recorded as a cost of the mineral property interest, in accordance with FASB Statement No. 123.

[b] Accrued site closure costs

The Company has adopted FASB Statement No. 143, *Accounting for Asset Retirement Obligations* (FAS 143) which is consistent with the provisions of CICA 3110 which the Company also adopted for Canadian GAAP reporting in 2003 [see note 2[j]]. U.S. GAAP requires that FAS 143 be adopted on a retroactive basis with a cumulative effect of the accounting change of $240,084 credited to earnings in 2003, whereas Canadian GAAP requires retroactive adoption with restatement of prior year financial statements. Therefore, the Canadian GAAP balance sheet at December 31, 2002 and the Canadian GAAP statements of loss for the years ended December 31, 2002 and 2001 are different under U.S. GAAP. The prior year impact of the retroactive adoption of this new accounting policy is disclosed in note 3[a]. The Company's balance sheet at December 31, 2003 is the same under U.S. and Canadian GAAP.

[c] Investment in Eurozinc Mining Corporation ("Eurozinc")

The Company's investment in Eurozinc is classified as an available-for-sale investment under FASB Statement No. 115 *Accounting for Certain Investments in Debt and Equity Securities.* As a result, this investment is recorded at fair value on the balance sheet with changes in the fair value recorded as other comprehensive income. The fair value of the Eurozinc investment is $1,276,000 at December 31, 2003 [2002 – $466,666; 2001 – $746,666].

The cost base of the Eurozinc investment under U.S. GAAP of $24,194 at December 31, 2003 [2002 – $25,660] is lower than the Canadian GAAP carrying value. As a result, the gain on sale of Eurozinc shares during the year ended December 31, 2003 is higher under U.S. GAAP than under Canadian GAAP. The $261,434 write-down of the Eurozinc recorded in 2002 under Canadian GAAP was not recorded under U.S. GAAP because the U.S. GAAP cost base was lower than the fair value of the investment.

[d] Investment in Lithic Resources Ltd. ("Lithic")

The Company's investment in Lithic is classified as an available-for-sale investment under FASB Statement No. 115 *Accounting for Certain Investments in Debt and Equity Securities.* As a result, this investment is recorded at fair value on the balance sheet with changes in the fair value recorded as other comprehensive income. The fair value of the Lithic investment is $515,300 at December 31, 2003.

Due to the necessity to adjust for exploration costs under U.S. GAAP during fiscal years prior to January 1, 2001 for the Company's equity accounted investment in Lithic, the share of loss of equity accounted investees is different under U.S. GAAP.

In the year ended December 31, 2001, the Company realized a dilution gain of $16,668 on the investment in Lithic as a result of private placements made by this investee, which was accounted for under the equity method at that time. Under U.S. GAAP, this dilution gain is recognized in equity in accordance with Staff Accounting Bulletins 84 and 51.

[e] Flow-through shares

Under Canadian income tax legislation, the Company is permitted to issue shares whereby the Company agrees to incur Canadian Exploration Expenditures (as defined in the Canadian Income Tax Act) and renounce the related income tax deductions to the investors (see note 9[b]). Under Canadian GAAP, the full amount of funds received from flow-through share issuances are recorded as share capital. Under U.S. GAAP, the premium paid for the flow-through shares in excess of the market value is credited to liabilities and included in income when the related tax benefits are renounced by the Company.

Furthermore, under U.S. GAAP, and notwithstanding that there is not a specific requirement to segregate the funds pursuant to the flow-through share agreements, the flow-through funds which are unexpended at the balance sheet date are separately classified as restricted cash. Such amounts unexpended at December 31, 2003 and 2002 totalled $2,368,522 and $6,500,839, respectively.

[f] Share issue costs

Under Canadian GAAP, share issue costs have been charged directly against the deficit but under the U.S. GAAP they must be charged against share capital.

[g] Stock-based compensation

In the year-ended December 31, 2003 the Company has adopted the fair value based method of accounting for employee stock compensation as prescribed by FASB Statement No. 123 *Accounting for Stock-Based Compensation.* The Company has chosen to adopt the fair value based method on a prospective basis from January 1, 2003 as permitted by FASB Statement No. 148 *Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statement No. 123.* The prospective adoption of this new U.S. GAAP policy creates no differences with the Company's stock compensation expense reported under Canadian GAAP.

Previously under U.S. GAAP, the Company accounted for its employee stock option plan under the principles of Accounting Principles Board Opinion No. 25 ("APB 25") *Accounting for Stock Issued to Employees and related Interpretations.* No compensation expense was recognized under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of the grant.

[h] Comparative figures

Certain prior year amounts have been reclassified to conform with the current year's presentation.

[i] Recently issued accounting pronouncements

In January 2003, the FASB issued Interpretation No. 46 *Consolidation of Variable Interest Entities* ("FIN 46R") (revised December 2003). FIN 46R requires the primary beneficiary of a variable interest entity to consolidate the variable interest entity. FIN 46R applies immediately to variable interest entities created after January 31, 2003. Otherwise, FIN 46R is effective for the annual reporting period beginning on or after June 15, 2003. The Company is currently evaluating the impact of FIN 46R.

The Emerging Issues Task Force of the FASB has as part of its agenda a review of a broad range of accounting matters relating to the mining industry.

15. Subsequent Event

Subsequent to year-end, the Company sold 1,575,000 shares of Eurozinc Mining for net proceeds of approximately $0.9 million, resulting in a gain of approximately $0.8 million.

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Exchange Listing
Toronto Stock Exchange (TSX:CLG)
American Stock Exchange (AMEX:CLG)

Number of Shares
(at December 31, 2003)

Issued	54,222,744
Fully Diluted	62,546,419
Authorized	100,000,000

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Walter T. Segsworth [B,C] – *Co-Chairman*
Kerry M. Curtis – *President and Chief Executive Officer*
Abraham I. Aronowicz [A,C]
Richard M. Colterjohn [A x]
Glen D. Dickson
J. Michael Kenyon [B x]
Jonathan A. Rubenstein [A,B]

[A] Member of Audit Committee
[B] Member of Corporate Governance Committee
[C] Member of Compensation Committee
[x] Denotes Committee Chairman

Senior Officers
Kerry M. Curtis, P.Geo. – *President and Chief Executive Officer*
Michael L. Carroll, C.P.A. – *Chief Financial Officer and Corporate Secretary*
Brad G. Thiele, P.Eng. – *Vice President, Meadowbank Project Development*

Managers
Gordon I. Davidson, P.Geol. – *Project Manager, Exploration*
Craig Goodings, M.Sc. – *Manager, Environmental and Regulatory Affairs*
Betty Goyette – *Office Manager*
Roger B. March, P.Geo. – *Senior Project Geologist*
James A. McCrea, P.Geo. – *Manager, Resource Evaluation*
Stuart D. McDonald, C.A. – *Corporate Controller and Principal Accounting Officer*
Joyce L. Musial, B.Sc. (Hons) – *Manager, Investor Relations*

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Annual and Special General Meeting
The Annual and Special General Meeting will be held on Thursday, June 10, 2004 at 2:00 p.m. (local time) in the Stanley Room, Hyatt Regency Hotel, 655 Burrard Street, Vancouver, British Columbia.

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